GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6094
ANSWERED ON:27.04.2001
INCOME TAX EXEMPTION TO HEALTH POLICY HOLDERS
ASHOK KUMAR PATEL;PADAMSEN CHAUDHARY

Will the Minister of FINANCE be pleased to state:

(a) whether the Eradi Committee which conducted a study of the life insurance sector has suggested to the Government not to levy tax on the surplus income of the health policy holders of the Life Insurance Companies since the general policy holders are being given tax-exemption;

(b) if so, the details thereof; and

(c) the time by which a decision is likely to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (GINGEE N. RAMACHANDRAN)

(a) & (b): An Expert Committee on Taxation of Life Insurance Sector, under the Chairmanship ofShri V.U. Eradi, was constituted by the Government during the financial year 2000-2001, inter alia, to recommend the taxation structure in respect of profits of life insurance business. The Committee in its report has, inter alia, observed that there is a strong case for not taxing the policyholders` share of surplus in respect of the health insurance business as similar policies issued by general insurance companies are not taxed in the hands of policyholders`.

(c): The report of the Committee is under examination and a decision is likely to be taken in due course.